

It's all good: Social awareness now a corporate requirement

BY DOREEN HEMLOCK
STAFF WRITER

Ask Office Depot's chief executive officer whom he accounts to, and Steve Odland won't just say shareholders. He fires off the letters of his title: C for customers, E for employees and O for owners.

At his headquarters in Delray Beach, outreach manager Mary Wong has her own adage: "If you don't have a healthy community, you don't have a healthy business."

Their attitudes represent a growing trend in corporate America to look beyond narrow profits to a company's broader impact on society — from hiring to recycling to mentoring youth.

It's not altruism prompting the shift to what many call "corporate social responsibility" or CSR. Executives call it a growing business imperative.

After Enron's 2001 financial meltdown, more and more investors scrutinize companies about their values, ethics and practices before risking

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cash. Consumer activists, with the Internet at their fingertips, increasingly ferret out and demand information about sweatshops, pesticides or same-sex benefits before making purchases. And even government officials look more at corporate track records before levying fines or handing out incentives nowadays.

"To do well, you must do good," said Jo Moskowitz, director of community and government affairs at software maker Citrix Systems of Fort Lauderdale.

CSR, or "sustainability" as others dub it, extends far beyond philanthropy, however. The concept ultimately involves all aspects of how a company operates — from the suppliers it chooses to how it handles waste, from how it treats employees and their

families to how it helps the needy in its neighborhoods at home and abroad.

Firms often excel in one focus area, such as employee benefits, but fare poorly in another, like environmental management. The challenge is integrating all aspects of business to boost the "triple bottom line: profits, people and the planet," said Scott Marken, a CSR veteran who runs the Donors Forum of South Florida.

So far, South Florida lags behind other U.S. regions in CSR. That's partly because the tri-county area has few Fortune 500 heavyweights based locally to build awareness. And many smaller South Florida companies focus more on doing business overseas than they do on the trends sweeping Corporate America, Marken and others say.

But the concept is taking root, especially among the large corporations based locally. Office Depot, for instance, is promoting environmentalism as well as minority- and women-owned business. Citrix is working to bridge the digital divide, partly through cyberlinks with West Africa.

Both investors and executives say they're encouraged by studies that link social responsibility with strong financial results.

The broadest research to date — a 2003 analysis by professors from University of Redlands and University of Iowa professors of dozens of earlier CSR studies — found that social and financial performance reinforce each other. Responsible companies that excel socially generally excel financially and vice versa.

Irresponsible companies, in contrast, can pay dearly these days for disregarding the envi-

ronment, said Karen Paul, a business professor at Florida International University who specializes in social responsibility.

"Insurance companies are becoming quite keyed up about the potential costs of climate change," Paul said.

As the CSR movement grows, investors and companies are becoming more sophisticated about how to measure and monitor social performance.

Mutual funds now have filters to identify socially responsible business, generally screening out companies that peddle pornography or weapons. Indexes now track the company stocks, including the Dow Jones World Sustainability and FTSE4Good indexes. And Fortune magazine and the World Bank among others include measures of social responsibility among indicators to rank corporations, Paul said.

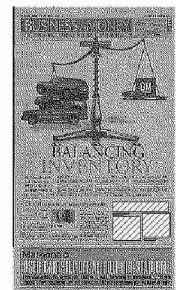
Companies also increasingly issue "social performance" or "sustainable values" reports, just as they disclose annual financial statements.

A recent Office Depot report noted, for example, that the company handed out 300,000 backpacks to low-income children in the United States last year. And paper used at its headquarters has about 30 percent recycled content, nearly double levels in 2003.

To be sure, detractors remain. Some free-market stalwarts, including the late economist Milton Friedman, say companies should account first to owners, not society. The role of corporations is to create jobs, goods, services and wealth — not to solve environmental woes, critics say.

Others claim CSR and environmentalism are too often used as corporate publicity, with little substance behind it — a marketing effort some call "green-washing."

But advocates counter that CSR efforts benefit owners,



even when some companies must do more to meet their social responsibilities.

Pride in community outreach programs, for example, helps Citrix recruit and retain employees, reducing costs linked to labor turnover, Moskowitz said. And philanthropy serves as an insurance policy, building goodwill that can help companies weather crises and protect the bottom line, said

Donors Forum's Marken.

In practice, there's really no choice anyway to be made in today's global economy between serving shareholders or society, said Office Depot's Odland.

"It is possible — indeed, it is imperative — that we do both."

Doreen Hemlock can be reached at dhemlock@sun-sentinel.com or 305-810-5009.

CSR WEB SITE CONTACTS

To learn more about corporate social responsibility, check out the following Web sites:

www.bsr.org, Business for Social Responsibility, a San Francisco-based association.

www.socialinvest.org, Social Investment Forum, focused on socially responsible investing.

www.donorsforumsf.org, The Donors Forum of South Florida, focused on corporate philanthropy locally.

www.unglobalcompact.org, The U.N. Global Compact, a worldwide initiative featuring 10 principles for responsible business.

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